

SECONDARY

THE BIG BONANZA

The Story of the Comstock Lode

By
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Partly through shrewd judgment, partly through sheer good luck, partly through unwavering confidence in the depth and value of the lode, partly through his ability to back this confidence with the money of the Bank of California, and partly through a ruthless willingness to seize and force a profit at any cost to others, Sharon succeeded.

His power was the power of money. The Bank of California was the leading financial institution on the Pacific Slope, and from the moment of his appointment Sharon wielded the strongest single influence in the Comstock district.

Many of the mines had exhausted the bonanzas which had marked their first years. The very slump in Comstock securities which had put Sharon into the district by wiping out his private fortune had provided a fertile field for his operation as a banker. Ophir, Mexican, Savage, Overman and other mines had looted their ore chambers of the last visible pound of bonanza ore. Gould & Curry and some others were still producing. Gould & Curry took out nine million dollars in bullion in 1863-64.

On October 31, 1864, President Lincoln had signed the proclamation announcing Nevada's admission to the Union as a state. James Nye, formerly territorial governor, and William M. Stewart, master of mining juries, had been elected to the United States Senate. A miners' union had been organized and won its first fight against reduction of wages from four dollars to three dollars and fifty cents a day. But the

Comstock as a whole was in its first serious depression.

Still, Virginia City was now in fact a city. It could not be destroyed in a season as Esmeralda and similar wildcat camps had been destroyed. There were many mills, each worth from a hundred thousand dollars upward. There was equipment at the mouth and in the depths of each of a score of mines which had been installed at a total cost of millions. There was a great investment in stores, business blocks, residences and real estate. There was a huge and profitable business in transportation, and another in lumbering. And most important of all, there was still bonanza ore visible in the Gould & Curry and a few other mines. The district was in a slump, but it could not so easily be destroyed.

Sharon had gained access to the mines and mills with capable experts and appraisers at his side to judge the value of securities offered his bank for loans. He had a clear idea of the possibilities of the Comstock lode as a whole. What matter if some of the mines were out of bonanza and into borrasca? They were still working, sinking shafts, running drifts. The fact that the money with which they continued these operations in most cases was now coming from assessments upon stockholders was comparatively unimportant. Indeed it seemed an advantage to Sharon. It made the mines and mills more eager to borrow money.

Local banks and capitalists were lending to merchants and mill owners at from three to five per cent.

a month. Even Sharon, accustomed to the fabulous rates, the criminal waste and the sudden fortunes of California in the 'fifties, gasped. And promptly he offered the Bank of California's money on the same security at a paltry two per cent. a month. The bank promptly got the business.

While the mines were producing ore and the mills reducing it to bullion at the high prices of that day they could easily pay even such rates of interest. But as the ore gave way to country rock, and mine after mine began hoisting waste instead of ore, the mill owners were soon in trouble. The ordinary life of the town was less disturbed. Pay-rolls in the mines continued even when they were shut off at the mills. Merchants still did business at high prices and with high profits. When a mining company's operating reserve was exhausted there were always stockholders who would pay assessments rather than allow their holdings to be sold out.

Sharon's interests were broad and his optimism high. He continued to lend the bank's money on the mills, and came down upon them like one of their own huge steam-driven stamps when the notes fell due. Mortgage after mortgage was foreclosed. It did not take long for interest at twenty-four per cent. a year to eat up an idle mill worth two hundred thousand dollars. The mill men were nearly all private owners and operators. They had no stockholders to assess. Seven of the largest and most modern mills fell into the hands of the Bank of California in the

first year of severe depression. Ralston became worried and visited Virginia City to investigate.

The bank director was shocked. He protested to Sharon that too much of the Bank of California's funds had been loaned on the mill and mining property. Even interest of two per cent. a month could not justify such extension of credit if the security proved insufficient, and at the moment it appeared decidedly insufficient. A two-hundred-thousand-dollar mill in the White Pine district was offered for five thousand dollars and found no buyer. A sixty-thousand-dollar mill nearer the lode was sold for three thousand dollars.

Their heavy stamping machinery, steam engines and other bulky equipment were virtually valueless without local demand for their service, and this demand was falling steadily. The cost of transportation by team back to California was greater than the junk value of the machinery. As most of this machinery had been designed especially for reduction of Comstock silver ore, there was no market for it in the mining towns of California. Besides, they had their own machinery.

The scores of Mexican arrastras which had lined Gold Canyon and the banks of the Carson River from Dayton to Genoa in 1860 had long since given way to stamp mills, amalgamation mills, and other modern improvements. Fortunes totaling several million dollars had been invested in these plants, and fortunes had been earned from them. Approximately

one hundred mills were operating in the district in the spring of 1863. Kelly's First Directory of Nevada listed eighty-two mills as operating in the preceding winter. And when Ralston visited the lode in 1864 less than four hundred tons of ore a day were being hoisted to employ a milling capacity of four times that amount.

The spirit of depression struck Ralston like a physical blow. The Bank of California had perhaps two million dollars of its money out on Comstock securities. The situation was extremely dangerous. But little could be done about it. If the Comstock failed the bank probably would fail with it. But if the Comstock revealed new bonanzas at greater depth, the mining property which had been foreclosed upon would mean profits beyond the wildest dreams.

Sharon assured Ralston that eventually such profits would be inevitable. The fact that the leading financial institution of the Pacific Slope had become practically a supply company for a group of questionable silver mines and mills on the Comstock lode appeared unfortunate, but nothing worse for the moment. The legal and ethical regulation of banks in 1864 was not what it is to-day. If the bank continued to support the further exploration of the lode, and opened the ore bodies which engineers and geologists assured Sharon were available at greater depths, its reward was certain. If it took its losses and withdrew, the Comstock almost certainly would fail, and the bank would fail with it.

In that vein Sharon, an optimist as all mining men must be, argued with Ralston and won his point. Ralston submitted somewhat doubtfully and returned to San Francisco. Sharon continued to lend the bank's money until three and one-half millions were out in the Comstock. Mortgages upon dozens of mining properties, timber lands, and other resources were in the vaults of the bank.

Before the year had passed, Yellow Jacket, Chollar-Potosi and several other mines increased their production sufficiently to justify Sharon's faith and policy in part. The bank survived. There were hard days still to come, but Sharon had been tried and toughened in the fire to withstand them. He was developing the power as well as the instincts and abilities of a monopolist. He recognized opportunity and was prepared to seize upon it.

Why not form a company to buy and operate the holdings obtained by the bank through foreclosure? This would let the bank out in safety, and give the owners of the proposed company all the vast contemplated profits instead of giving such profits to the bank's stockholders. These suggestions he offered to Ralston. The plan was no more ethical than that which built the first transcontinental railroad, or than some financial schemes of to-day's promoters, but it appeared legally sound at that time. After all, if the Comstock failed the bank would fail, and Ralston and his associates would fail. If the Comstock succeeded on anything like the scale forecast by Sharon

the bank would profit. But why distribute such immense profit among stockholders when it might be distributed among officials? In either case the bank's risk would be no greater.

Sharon won that argument too. The famous Union Mill and Mining Company was organized with William Sharon, W. C. Ralston, D. O. Mills, Alvinza Hayward and a few others in control. Gradually it took over the mills and other properties upon which the bank had foreclosed. Organization and leadership at last were apparent upon the Comstock. It was to be hated and cursed for years as a grinding vicious monopoly, but it was to direct the progress of the district with a shrewd and ruthless profit-seeking efficiency without which the big bonanza might not have been developed for decades.

In the meantime, however, another force had been developing in the district. At first it was only the force of a dream, but the desire to make dreams come true is a feature of American character which has built the nation. This dream was conceived in the ambitious mind of Adolph Sutro, then as insignificant a member of the community as were Mackay, Fair, and the few others who eventually were to wrest power, wealth and fame from the desert mountains.

Adolph Sutro had come to the Comstock with the first rush across the Sierras from San Francisco in the early spring of 1860. He was then thirty years old.

Sutro was a powerfully built young man, a little above medium height, broad-shouldered and mus-

cular. His forehead was high, his eyes reflective and calculating, his nose and chin aggressive. Energy, ambition and an indomitable will were apparent in face, figure and every movement.

His first business venture in the Comstock had been in a small amalgamation mill at Dayton. There he had instituted an improved process, worked out in a laboratory in San Francisco, and had taken a profit of ten thousand dollars a month from a contract with one of the leading mines until his mill had burned.

Riding on horseback between his mill in Dayton and the mines of Virginia City, Sutro had become thoroughly familiar with the topography and the surface geology of the entire Comstock district. From early boyhood he had been an omnivorous reader with a retentive mind. Throughout his years in California he had studied mines, mining and metallurgy. He knew something about the subject. Also he was a practical business man. He recognized and condemned the waste consequent upon the chaotic methods of mining and milling in the Comstock.

[The first mines on the lode had simply followed the scattered veins downward into the side of Mount Davidson, looting the ore as fast as it was uncovered, and taking out country rock at an expense equal to that of raising the ore. There was no comprehensive engineering, no plan, no system. Only when the shafts grew too deep to raise the buckets by hand or mule-power were the first steam engines installed. Only when the water which was being constantly

would be able as easily to inspire capital with equal enthusiasm, he felt. The franchise was granted, "authorizing A. Sutro and his associates to construct a Mining and Draining Tunnel," through a specified right of way, beginning one year after April 4, 1865, and to be finished in eight years.

The Sutro Tunnel Company was organized immediately with William M. Stewart, D. E. Avery, Louis Janin, Jr., H. K. Mitchell and A. Sutro as trustees and directors.

The hero or the villain of the great Comstock melodrama, depending upon the point of view, had appeared. William Sharon and the Bank of California syndicate, also hero or villain as the case might be, had already taken the first steps toward control.

The human forces of the Comstock were organizing for war, though at the moment none recognized the fact.

CHAPTER X

MONOPOLY AND PROMOTION

IT DID not take long for the Union Mill and Mining Company, officered by Sharon, Ralston, D. O. Mills and kindred spirits, financed by the Bank of California, and stimulated by wealth and ambition, to seize control of most of the Comstock. The syndicate started with seven mills to which the bank had obtained title by foreclosure, and this while there was not enough ore coming out of the mines to keep one-fourth of the mills of the district busy.

Sharon wielded the whip of the bank's financial power without mercy. "Give our mills your business or we shut down on your credit." It was a successful ultimatum. As fast as their contracts with independent mills expired the mines bowed to the lash. The syndicate's mills ran night and day, while scores of independents rusted in idleness. Within two years the syndicate had taken title to seventeen mills. They were capable of crushing and refining every pound of ore being produced on the Comstock, and they did handle most of it.

Their prices were still high. The syndicate was almost literally a mint, regardless of the fact that many of the mines continued in borrasca. There

largely through that same stock speculation to which he now referred with such contempt.

In any event, it was a fact that the big bonanza firm was not injured by the panic. Probably Mackay's contempt for the stock speculators did not influence his own action when the brief panic cut prices once more to a profitable purchase point. Knowing what the world knows of the bonanza kings, it seems more than probable that they seized this opportunity to buy even a larger share of Consolidated Virginia and California at the new bargain quotations.

In 1875 the market recovered steadily. Still the bullion production of the Comstock increased, and popular confidence mounted again with the dividend reports. By summer, prices were well up. And then again came rumors of the exhaustion of the big bonanza. Once more prices crashed on the exchanges. Comstock securities lost a total of sixty million dollars in a few days.

And this time the Bank of California did not survive. It went down in the crash just as the cigar salesmen, haberdashers, cooks and laundresses went down. The bank which had been the greatest financial power on the Pacific Coast for more than a decade closed its doors. Failure after failure followed, throughout Nevada and California. Hundreds of businesses and individual depositors were ruined.

Even Ralston's fame, and the extraordinary confidence in which he was held throughout the West could not save the day. Once before he had stopped

a threatening run on the bank by borrowing one million dollars in gold coin from the mint in San Francisco and stacking it up in the windows of the bank. Now a million dollars was nothing. But knowing the confidence in which he was held by rich and poor alike, Ralston stood on the steps of the bank and assured the frantic throngs that the concern's resources were sufficient to meet all liabilities. He pledged his private fortune to protect the depositors. The crowd believed him and dispersed.

When the directors met on Friday, August 27, 1875, Ralston was not allowed to be present. A hasty check of the books had indicated that he was short one million and five hundred thousand dollars in his cash. D. O. Mills, president of the bank, came from the meeting and demanded Ralston's resignation. Ralston signed on the dotted line. Two hours later his body was found floating off North Beach, where he had long been accustomed to swim. The bathhouse keeper said he had appeared, overheated from a long walk, gone into the water immediately, and drowned when stricken by cramps. Others, ruined by the bank's failure, insisted he had committed suicide.

It was Black Friday in the history of California. The depositors and business men throughout the West gave up hope at the news of Ralston's dismissal and sudden death. The man to whom they had looked as the greatest constructive power on the Coast had failed them. They could trust no one. Then came

the news that Ralston's unsecured liabilities totaled \$4,655,973.

All the subsidiary interests of the Bank of California staggered under the blow, and most of them fell. The monopoly's grip on the Comstock, omnipotent for more than a decade, was broken by the ensuing forced liquidation.

Sharon finally succeeded in reorganizing and reopening the bank with subscriptions of one million dollars from himself, D. O. Mills, and others of the directorate. The bank met its obligations, but to do so it was obliged to liquidate many of its holdings in the Comstock and elsewhere. As king of the Comstock, Sharon was dead. The Sharon dynasty had followed the Old Virginia-Comstock dynasty into the shadows.

"Long live the king!" The Mackay-Fair-Flood-O'Brien group had been waiting at the palace gates. No sooner had Sharon been deposed than the new bonanza kings marched into the throne room. However much Mackay may have scorned the stock-market, he did not scorn opportunity. Neither did his associates. Flood had developed a genius for organization, finance and executive control as great as the genius of Mackay and Fair for constructive mining.

The group organized the Nevada Bank of San Francisco. They had millions in cash. The forced liquidation of the Bank of California's assets was their opportunity. They did not hesitate. They did not

overlook one tiny ramification of the former monopoly's holdings. By the time Sharon was able to extract himself from the chaos brought on by Ralston's overreaching in the promotion of San Francisco, the new bonanza kings were seated even more firmly in control of the Comstock than Sharon had ever been.

The sworn testimony of James C. Flood in a suit to set aside a fraudulent mining deed is startling in its revelation of their power:

Q.—Who are the owners of the Pacific Mill and Mining Company?

A.—Mackay, Fair, Flood and O'Brien are the principal stockholders.

Q.—Who are the owners of the Pacific Wood, Lumber and Flume Company?

A.—Mackay, Fair, Flood and O'Brien are the principal stockholders.

Q.—Who are the owners of the Virginia and Gold Hill Water Company?

A.—The principal stockholders are Mackay, Fair, Flood, O'Brien, W. S. Hobart, John Skae and others.

Q.—Is there any other corporation from which the company draws supplies of any character of which Mackay, Fair, Flood and O'Brien are not the trustees and principal owners?

A.—I don't know of any.

It seems clear that the new bonanza kings had

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